

Government Revenues & Expenditures

By CAPT. HENRY A. CASTLE, Auditor for the Post Office Department.

REVENUES.

Development of the Protective System From the Morrill Tariff at the Beginning of the War.

We have now arrived at the period when the war of the rebellion was approaching, which was to change the country's entire financial policy and history. New elements entered into the problem, caused by a startling and unprecedented increase in governmental necessities; new features were to be introduced which were destined to exercise a wonderful and lasting influence in augmenting the prosperity, power and glory of the Republic. The extreme "free trade" enactment of 1857 had wrought its ruinous work. Not only was the private business of the country plunged into the wreck of a universal panic, but the revenues of the Nation were so injuriously affected that they had been for three years insufficient to cover the expenditures, and in that period the public debt had been more than doubled, to meet the deficiencies. The Republicans came to the rescue of a Democratic Executive Administration and succeeded in passing the bill through the House, but would have failed in the Senate but for the madness of secession, which drove away so many Democrats from that august assemblage.

THE MORRILL TARIFF.

The bill which has become well known as the "Morrill tariff," and which, with increments and changes, stood for nearly 30 years, or until the "McKinley" Bill was enacted in 1890, was introduced by Hon. Justin S. Morrill, of Vermont, on the 12th of March, 1846, and passed the House of Representatives in May of that year. In the House the bill was loyally supported by John Sherman, of Ohio, who stood with Mr. Morrill; Thaddeus Stevens, of Pennsylvania, who also prominent in the discussion; the opposition was represented by Barksdale, of Mississippi; Vallandigham, of Ohio; Phelps, of Missouri, and others. The poverty of the Treasury and the excessive importations of foreign American production were urged on the one side; while on the other the question of method was raised and in some cases simple obstruction seemed to be the object. The principles underlying import duties were considered with large breadth and great vigor.

The Senate refused to act upon the measure in that session; and at the next session, as the Committee on Finance was so constructed as to fail to represent the majority of the body, a special committee was appointed with instructions to report the bill back within a week. Secession was rampant when on Feb. 1, Mr. Simons, of Rhode Island, brought up the bill, and advocated its passage in an exhaustive speech. Senator Hunter, of Virginia, led the opposition. He admitted that additional revenue was needed, but he wanted to raise the lower duties then collected by a certain percentage, and reduce the free list. Only after conference between the two Houses did the bill pass. Mr. Morrill estimated that it would produce \$65,000,000 a year; Mr. Sherman agreed that in times of peace it would produce \$100,000,000 a year; but for a year or two the receipts could not be so much. It actually yielded, in operation, \$20,000,000 in 1862 and \$30,000,000 in 1863.

THE MEASURE AND ITS MODIFICATIONS.

A general increase was made in rates, and many duties were changed to specific sums from rates varying with the value of the goods. Iron in bars was changed from 24 per cent. to 15 per cent.; window glass from 15 per cent. to a charge of from one to five cents a square foot; woolen manufactures from 24 per cent. to 12 cents a pound, and 25 per cent. on value. Cottons were changed from 19 per cent. to specific prices on the square yard with 10 per cent. added. Copper, which had been free, was subjected to an impost of two cents a pound. Iron in sheets was changed to specific rates an additional charge by value was made to compensate for the duty levied on raw wool.

Seven States had proclaimed ordinances of secession before the act of March 2, and the demands of the National Government began to increase with a rapidity calculated to paralyze weak minds. The special session of Congress, which assembled on July 4, 1861, had no more important task than to provide revenue for the National Treasury. Mr. Stevens, however, announced that no general revision of the tariff would be undertaken. By an act which bears the date of July 13, 1861, the rates were advanced, and tea and coffee, with some other commodities, were subjected to duty. The like process of general increase was carried still farther by the act of Dec. 21, 1861, and the result was the same in the statute of July 14, 1862. By joint resolution of April 29, 1864, all duties, except upon white paper, were increased 50 per cent. for 60 days. On June 30, 1864, a permanent increase was provided for. Mr. Morrill in explaining the bill, declared that its primary object was to increase the revenue, and at the same time to shelter and nurse our domestic products, from which at that time we were drawing much of our supplies.

At this time the Internal Revenue system was something monstrous. In that year of the sun produced from this system, 10.7 per cent. came from spirits. Tobacco furnished 5.5 per cent.; fermented liquors only 1.6 per cent.; banks and bankers paid 1.1 per cent.; from adhesive stamps were collected 4.8 per cent.; manufactures paid no less than 40.9 per cent. of the total sum; from the gross receipts of certain occupations, including advertisements, canals and railroads, insurance and telegraph companies, we derived 3.6 per cent.; from sales designated the proceeds were 1.2 per cent.; from special taxes on certain classes of business we collected 4.5 per cent.; incomes paid the same of 2.4 per cent.; from successions and various minor matters made up about 2 per cent.

DRASTIC INTERNAL REVENUE LAWS.

The heroic struggle to preserve the life of the Republic caused resort to be had for a third time to internal revenue or "excise" taxation. By the act of July 18, 1862, afterward greatly extended, the bravest assessments ever made were put in operation and almost every mode of taxation known to mankind was adopted.

The treatment was indeed "herculean." The motto seemed to be "wherever you find an article, a product, a trade, a profession, or a source of income, tax it!"

The system was so comprehensive and minute in its details that the percentage of any article from taxation was the exception rather than the rule. It was imposed at first with so little thought and discrimination that it was invariably found unsuitable in many cases, and was subject to frequent modifications. At least one revenue bill was passed at every session of Congress, and within the period 1861-7 more than 25 such bills became laws. The penalty of such a measure furnished frequent opportunities for numerous amendments. Some of these changes were not important in themselves, but by changing the language they rendered valuable many precedents of the Bureau and well-considered decisions of the courts. For the first years after the passage of the Internal Revenue law the action of Congress was directed to its increase, and new objects of taxation and additional sources of revenue were sought for. Not until the close of the war was there any movement looking to its decrease—even then, the relief was partial, and some of the imposts, such as those on alcoholic liquors, beer and tobacco, linger until the present day.

HOW THE TAXES BLEED EVERYTHING AND EVERYBODY.

The extent to which taxation was carried

ried under these war measures cannot be better expressed than by the words of Sydney Smith, written 40 years before: "Taxes upon every article which enters into the consumption of the back, or is placed under the foot; taxes upon everything that is pleasant to see, hear, feel, smell, or taste; taxes upon warmth, light and locomotion; taxes on everything on earth, and the water under the earth; on everything that comes from abroad, or is grown at home; taxes on raw material; taxes on every fresh value that is added to it by the industry of man; taxes on the sweat which man's appetite pours out on the earth which restores him to health; on the ermine which decorates the judge, and the rope which hangs the criminal; on the poor man's salt, and the rich man's spice; on the brass nails of the coffin, and

on the coffin itself."

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